

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)
501(c)(3) REVENUE BOND FINANCING PROGRAM**

STAFF REPORT

EXECUTIVE SUMMARY

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Applicant:	The J. Paul Getty Trust (Getty Trust or Borrower)	Amount Requested:	Not to exceed \$365,000,000 tax-exempt and taxable
Applicant Description:	A California charitable trust and private operating foundation dedicated to the presentation, enjoyment, study and conservation of the visual arts and humanities.	Date of Board Meeting:	August 23, 2011
		Type of Issue:	Refunding
		Resolution Number:	11-20
Project Sites:	1200 Getty Center Drive, Los Angeles 17985 Pacific Coast Highway, Los Angeles	Prepared by: Tara Dunn	
Project Description:	The project (Project) involves refunding the outstanding California Infrastructure and Economic Development Bank Variable Rate Revenue Bonds, Series 2003A-2003D and Series 2004A-2004B (collectively, the Prior Bonds), the proceeds of which were used to finance and refinance the construction, equipping and furnishing of improvements to the museums and facilities owned and operated by the Getty Trust, including but not limited to the acquisition of objects of art (Prior Projects).		
Uses of Bond Proceeds:	Bond proceeds (2011 Bonds) will be used to (i) pay the costs of the Project, (ii) make termination payments associated with swap transactions entered into in connection with the issuance of the Prior Bonds and (iii) pay for costs of issuance.		
Public Benefits:	The programs of the Getty Trust continue to provide educational, scientific, social and cultural resources to the State as well as to national and international communities. Admission to The Getty Center, including The J. Paul Getty Museum and Getty Villa, is free attracting approximately 1.6 million visitors annually.		
Financing Structure:			
Type of Issue:	<ul style="list-style-type: none">One or more series of publicly-offered fixed rate securities issued in minimum denominations of \$5,000 and any integral multiple thereof, andOne or more series of publicly-offered variable rate securities with either a daily, weekly, or index based rate reset in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof.		
Tax Status:	Tax-exempt 501(c)(3) bonds and taxable bonds.		
Term:	Refunded 2003A-D Bonds – 27 years. Refunded 2004A-B Bonds – 12 years.		
Credit Rating:	Expected to be “AAA” by Standard & Poor’s and “Aaa” by Moody’s Investors Service based upon the financial strength of the Getty Trust.		
Est. Sources of Funds:		Est. Uses of Funds:	
Tax Exempt Bond Proceeds	\$336,125,000	Refund 2003A-D Bonds	\$276,293,417
Premium on TE Bonds	10,534,825	Refund 2004A-B Bonds	68,667,984
Taxable Bond Proceeds	8,865,000	Unwind Swap	8,800,000
Swap Reversal Termination	191,000	Costs of Issuance	1,946,188
		Additional proceeds	8,236
TOTAL SOURCES		TOTAL USES	
\$355,715,825		\$355,715,825	
Financing Team:			
Bond Counsel:	Orrick Herrington & Sutcliffe LLP		
Underwriters:	Morgan Stanley and/or one or more other firms to be determined		
Underwriter’s Counsel:	O’Melveny & Myers		
Trustee:	The Bank of New York Mellon Trust Company, N.A.		
Staff Recommendation:			
Staff recommends approval of Resolution 11-20 authorizing the issuance of tax-exempt 501(c)(3) bonds and taxable bonds in an amount not to exceed \$365,000,000 for The J. Paul Getty Trust.			

BACKGROUND AND HISTORY

The J. Paul Getty Trust, a qualified 501(c)(3) non-profit corporation, is a charitable trust and private operating foundation dedicated to the presentation, enjoyment, study and conservation of the visual arts and humanities. The Getty Trust is based at the Getty Center which is comprised of six buildings located on a 753-acre parcel of land in the Brentwood area of Los Angeles. The Getty Center was constructed to consolidate the Getty Trust's activities on one campus, including its program and administrative offices. A second campus, the Getty Villa, is located in Pacific Palisades and serves as a center for the study of classical art and culture. The Getty Trust operates four programs as described below:

- **The J. Paul Getty Museum** collects, preserves, exhibits and interprets works of art at both the Getty Center and Getty Villa sites.
- **The Getty Research Institute** is dedicated to furthering knowledge and advancing understanding of the visual arts. Its research library contains special collections of rare materials and digital resources that serve an international community of scholars and the interested public.
- **The Getty Conservation Institute** works internationally to advance conservation practice in the visual arts – which include, but are not limited to, objects, collections, architecture, and sites.
- **The Getty Foundation**, through strategic grants and programs, fulfills the philanthropic mission of the Getty Trust by supporting individuals and institutions committed to advancing the understanding and preservation of the visual arts locally and throughout the world.

The Getty Trust's primary sources of support are endowment income and revenues from parking, publishing, the museum bookstore and food service operations. As of December 31, 2010, the Getty Trust had a principal amount of approximately \$618.3 million in long-term debt outstanding (see below), and unrestricted endowment funds of the Getty Trust totaled approximately 8 times such outstanding indebtedness. A list of the current executive officers, program directors and Board of Trustees is provided in Attachment A.

Previous I-Bank Financing

Since 2002, the I-Bank has issued several series of bonds to finance the construction, equipping and furnishing of the museums and facilities owned by the Getty Trust and to refinance previously issued bonds also used for the development of its facilities. All capital projects associated with the bonds listed below are complete. Currently there are three series of bonds issued by the I-Bank which are outstanding as follows:

Series	Issue Date	Original Principal Amount	Outstanding Principal Amount
Series 2003A-D (2003 Bonds)	5/15/2003	275,000,000	275,000,000
Series 2004A-B (2004 Bonds)	9/29/2004	96,000,000	72,845,000
Series 2007 A1-A4 (2007 Bonds)	10/24/2007	270,475,000	270,475,000
Totals:		\$641,475,000	\$618,320,000

Interest Rate Swaps

The Getty Trust has entered into interest rate swap agreements in connection with the 2003 Bonds, the 2004 Bonds and the 2007 Bonds. All of the interest rate swap agreements entail risk to the Getty Trust. The swap counterparties may fail or be unable to perform, interest rates will vary from assumptions, and the Getty Trust may be required to post collateral in favor of its counterparties or to make significant

payments to its counterparties, in the event of an early termination of an interest rate swap agreement. As of December 31, 2010, the Getty Trust estimated its gross liability for all such termination payments at approximately \$84.6 million.

PROJECT DESCRIPTION

The project (Project) involves refunding the outstanding California Infrastructure and Economic Development Bank Variable Rate Revenue Bonds, Series 2003A-2003D and Series 2004A-2004B (collectively, the Prior Bonds), the proceeds of which were used to finance and refinance the construction, equipping and furnishing of improvements to the museums and facilities owned and operated by the Getty Trust, including but not limited to, the acquisition of objects of art (Prior Projects) as further described below (see Attachment B – Prior Projects Pictures).

Prior Bonds	Facility	Use of Proceeds
2003 Bonds	Getty Villa	<ul style="list-style-type: none"> • Renovation of the Getty Villa Museum and Getty Villa Ranch House • Refurbishment of the subterranean parking structure • Upgrading and installation of new roads; • Repair of the East Side Slide (a known landslide located on the property) • Construction of a central plant, an auditorium, an outdoor theater, an entry court, a new conservation laboratory, an office building and two parking structures
2004 Bonds	Getty Center	Refunded certificates of participation originally issued in 1994 by California Statewide Communities Development Authority that were used to finance a portion of the acquisition, construction, renovation, improvement and equipping of facilities

The 2011 Bonds will be used to (i) effect the refunding, (ii) make termination payments associated with swap transactions entered into in connection with the issuance of the Prior Bonds and (iii) pay for costs of issuance of the new bonds.

FINANCING STRUCTURE

The J. Paul Getty Trust requests the refunding of the outstanding Prior Bonds and the issuance of tax-exempt 501(c)(3) bonds and taxable bonds in an amount not to exceed \$365,000,000 (2011 Bonds). The 2011 Bonds will be a combination of fixed rate refunding bonds and variable rate refunding bonds with an initial interest rate mode of either a daily, weekly or index based rate. The 2011 Bonds will be issued pursuant to one or more indentures between the I-Bank and The Bank of New York Mellon Trust Company, N.A. as Trustee (Indenture), and a loan of the proceeds of the 2011 Bonds will be made through one or more loan agreements between the I-Bank and the Getty Trust (Loan Agreement). The 2011 Bonds are expected to be rated “AAA” by Standard & Poor’s and “Aaa” by Moody’s Investors Service based solely on the financial strength of the Getty Trust.

In no event shall the 2011 Bonds constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the 2011 Bonds. The 2011 Bonds constitute a special obligation of the I-Bank, payable solely from revenues consisting primarily of loan repayments made by the Getty Trust.

PUBLIC BENEFITS

The programs of the Getty Trust continue to provide educational, scientific, social and cultural resources to the State as well as to national and international communities. Admission to The Getty Center, including The J. Paul Getty Museum, and Getty Villa is free attracting approximately 1.6 million visitors annually.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Describe:
TEFRA	
Date of TEFRA	Monday, August 22, 2011
Publications	<i>Sacramento Bee</i> <i>Los Angeles Times</i>
Oral/Written Comments Received	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
LEGAL QUESTIONNAIRE	
Completed?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES
Issues?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Project meets Public Interest Criteria (per G.C. § 63046 and 63047(d)) <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> 1. Project is for a use in the State of California. 2. Borrower is capable of meeting the obligations incurred under the proposed loan agreements and tax agreement and, in particular as to its loan repayment obligations which secure the 2011 Bonds as a result of having met the requirements for a rating of at least A- on the 2011 Bonds, based on the financial strength of the Borrower to make loan repayments that will be used by the Borrower to pay the principal and interest on the 2011 Bonds. 3. Payments to be made by the Borrower to the I-Bank under the proposed financing agreements are adequate to pay the current expenses of the I-Bank in connection with the financing and to make all the scheduled payments. 4. The proposed financing is appropriate for the Project. 5. Borrower has represented that the facilities originally financed with the proceeds of Prior Bonds were consistent with any existing local or regional comprehensive plans.
The Project meets the Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities established as guidelines for I-Bank Staff by the Board: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	
INDUCEMENT CERTIFICATE	
Completed?	<input type="checkbox"/> NO <input type="checkbox"/> YES Certificate No.: <input checked="" type="checkbox"/> N/A Date:

RECOMMENDATION

Staff recommends approval of Resolution 11-20 authorizing the issuance of tax-exempt 501(c)(3) bonds and taxable bonds in an amount not to exceed \$365,000,000 for The J. Paul Getty Trust.

ATTACHMENT A - GOVERNANCE AND MANAGEMENT

The Getty Trust is managed by nine executive officers and program directors and governed by thirteen Trustees.

Officers and Senior Staff Members

James Cuno	President and Chief Executive Officer
Patricia A. Woodworth	Vice President, Chief Financial Officer and Chief Operating Officer
David Bomford	Acting Director, The J. Paul Getty Museum
Stephen W. Clark	Vice President, General Counsel and Secretary
Thomas W. Gaehtgens	Director, The Getty Research Institute
Myron (Ron) Hartwig	Vice President, Communications
Deborah Marrow	Director, The Getty Foundation
Timothy Whalen	Director, The Getty Conservation Institute
James Williams	Vice President, Chief Investment Officer and Treasurer

Board of Trustees

<u>Trustee</u>	<u>Principal Affiliation</u>
Mark S. Siegel, <i>Chair</i>	Remy Investors & Consultants, Inc. President
Neil L. Rudenstine, <i>Vice Chair</i>	ARTstor Chairman
Frances Daly Fergusson	Vassar College President Emeritus and Professor of Art
Maria D. Hummer-Tuttle	Manatt, Phelps and Phillips Former Partner
Joanne C. Kozberg	California Strategies Partner
Paul LeClerc	The New York Public Library President, CEO and Trustee
David Lee	Clarity Partners, L.P. Managing General Partner
Luis G. Nogales	Nogales Partners Managing Partner
Stewart A. Resnick	Roll International Corporation Chairman
William E. B. Siart	ExEd Founder and Chairman
Ronald P. Spogli	Freeman Spogli & Co. President and CEO
Peter J. Taylor	University of California Chief Financial Officer
Jay S. Wintrob	SunAmerica Financial Group President & CEO

ATTACHMENT B - PRIOR PROJECTS PICTURES



The Getty Center





The Getty Villa

